



## CONGRESSIONAL BUDGET OFFICE PAY-AS-YOU-GO ESTIMATE

October 16, 1998

### **H.R. 4558** **Noncitizen Benefit Clarification** **and Other Technical Amendments Act of 1998**

*As cleared by the Congress on October 8, 1998*

#### **SUMMARY**

H.R. 4558 grants permanent eligibility for Supplemental Security Income (SSI) benefits to nonqualified aliens who were receiving benefits when the 1996 welfare reform law was enacted, exempts from SSI eligibility determinations certain charitable awards to seriously ill children, and authorizes the Social Security Administration (SSA) to recover SSI overpayments by withholding Social Security benefits.

CBO estimates that this legislation reduces direct spending by \$93 million over the 1999-2003 period. In addition, H.R. 4558 makes technical revisions to the Temporary Assistance for Needy Families and unemployment compensation programs that will not affect the federal budget.

#### **ESTIMATED COST TO THE FEDERAL GOVERNMENT**

The estimated budgetary impact of H.R. 4558 is shown in Table 1. The costs of this legislation fall within budget functions 550 (Health) and 600 (Income Security). For purposes of enforcing pay-as-you-go procedures, only the effects in the budget year and the succeeding four years are counted.

TABLE 1. SUMMARY OF PAY-AS-YOU-GO EFFECTS OF H.R. 4558

	By Fiscal Year, in Millions of Dollars									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Change in outlays	-26	-18	-18	-15	-16	-17	-17	-18	-19	-19
Change in receipts	Not applicable									

## BASIS OF ESTIMATE

The impact of H.R. 4558 on direct spending is shown in Table 2.

TABLE 2. ESTIMATED IMPACT OF H.R. 4558 ON DIRECT SPENDING

	By Fiscal Year, in Millions of Dollars				
	1999	2000	2001	2002	2003
<b>CHANGES IN DIRECT SPENDING</b>					
SSI Benefits for Nonqualified Aliens					
Estimated Budget Authority	5	12	9	8	7
Estimated Outlays	5	12	9	8	7
SSI Benefits for Seriously Ill Children					
Estimated Budget Authority	1	a	a	a	a
Estimated Outlays	1	a	a	a	a
Medicaid Benefits for Nonqualified Aliens					
Estimated Budget Authority	4	10	8	7	7
Estimated Outlays	4	10	8	7	7
Recoveries of SSI Overpayments					
Estimated Budget Authority	-35	-40	-35	-30	-30
Estimated Outlays	<u>-35</u>	<u>-40</u>	<u>-35</u>	<u>-30</u>	<u>-30</u>
Total					
Estimated Budget Authority	-26	-18	-18	-15	-16
Estimated Outlays	-26	-18	-18	-15	-16

a. Less than \$500,000.

NOTE: Components may not sum to totals because of rounding.

## **SSI and Medicaid Benefits for Nonqualified Aliens**

The Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (PRWORA), enacted in August 1996, curtailed the eligibility of legal aliens for SSI benefits. Originally, that law was slated to cut off benefits to approximately a half-million aliens in the summer of 1997. However, the Balanced Budget Act of 1997 (BBA) essentially spared aliens who were legally in the United States in August 1996 from the PRWORA restrictions, permitting those already on the rolls to continue receiving benefits, and allowing others (for example, an alien here in August 1996 who becomes disabled in the future) to apply for benefits without restriction.

Of the half-million aliens scheduled to lose their eligibility, the vast majority were "qualified" aliens. Qualified aliens match a short list of legal statuses spelled out in PRWORA, chiefly legal admission for permanent residence, a grant of refugee status, or a grant of asylum. However, about 20,000 were thought to be "nonqualified." Nonqualified aliens include those who are living in the United States with the government's awareness but whose legal status is nonetheless murky. These aliens are sometimes termed "permanently residing under color of law," or PRUCOLs. BBA granted qualified aliens who were on the rolls permanent eligibility for SSI, but gave nonqualified aliens only one more year of benefits, making them ineligible on October 1, 1998. H.R. 4558 grants these nonqualified aliens permanent eligibility for SSI benefits.

SSA's records generally include a recipient's immigration status at the time of his or her initial application for benefits. This information is not updated regularly and, as a result, may be inaccurate for recipients who have been receiving SSI for a number of years. For this reason, it had long been suspected that many nonqualified aliens had converted their immigration status to one of the qualified categories or become naturalized citizens without SSA's knowledge, and thus should not have been affected by the October 1, 1998 cutoff. Recent research by SSA confirmed this, finding that about 75 percent of the PRUCOLs are either qualified aliens or citizens. CBO estimates that of the 20,000 aliens initially thought to be nonqualified, only about 3,400 would have lost SSI eligibility under prior law. Making these recipients permanently eligible increases spending on SSI benefits by \$41 million over the 1999-2003 period. Since most SSI recipients are automatically eligible for Medicaid, the act also increases spending on Medicaid benefits by \$36 million over the same period.

## **SSI Benefits for Seriously Ill Children**

H.R. 4558 excludes from SSI eligibility determinations up to \$2,000 of awards made by charitable organizations to children with life-threatening diseases. These cash awards are

usually part of a response to a wish, like a trip to Disneyland, made by nonprofit groups such as the Make-A-Wish Foundation.

Based on discussions with the Make-A-Wish Foundation, CBO estimates that about 10,000 terminally and seriously ill children are granted a wish each year. About 55 percent of these wishes involve travel, and the child's family often receives cash to pay for incidental expenses. Under prior law, this cash was considered income for SSI eligibility purposes, and benefits for some children were reduced as a result. According to SSA, only one month's benefits for these children was usually affected since the travel-related cash was spent quickly. Recipients typically received their normal check the following month, although SSA usually had to make a retroactive payment because of processing delays.

The Foundation's national office has encountered about a half-dozen cases of children losing some or all of their SSI benefits because of a wish, and estimates that a similar number have come to the attention of each of the Foundation's 82 local chapters. Based on these figures and accounting for wishes granted by other organizations, CBO estimates that about 700 children annually will be affected. The exclusion in H.R. 4558 increases spending on SSI benefits for these children by \$525,000 in 1999 and about \$175,000 annually in later years. The figure for 1999 is higher because the act provides retroactive benefits to all children who have been affected in the last two years.

### **Recoveries of SSI Overpayments**

Under prior law, SSA could recover an overpayment of SSI benefits by withholding up to 10 percent of an individual's monthly SSI benefit. However, SSA did not have the authority to recover an SSI overpayment by withholding part of an individual's Social Security benefit, even though SSA administers both programs. H.R. 4558 allows SSA to recover SSI overpayments by offsetting Social Security benefits. SSA will be allowed to withhold Social Security benefits only in cases where the individual is no longer receiving SSI and will be able to withhold no more than 10 percent of an individual's monthly benefit. SSA will also be allowed to waive repayment in cases where the recovery would pose a hardship to the recipient. Based on information provided by SSA, CBO estimates that this section increases SSI recoveries, which are treated as offsetting receipts, by \$170 million over the 1999-2003 period.

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